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In This Issue

Factors in the Business Situation, by CARL SNYDER.

The Management Index

Abstracts and Descriptive Notes of Company Activities Including
Financial Management Production Management
Office Management Sales Management

Survey of Books for Executives

Elements of Business Finance, J. H. BONNEVILLE.

Industrial Pensions in the United States, NATIONAL INDUSTRIAL
CONFERENCE BOARD.

Employee Magazines in the United States, NATIONAL INDUSTRIAL
CONFERENCE BOARD.

Principles of Personal Selling, HARRY R. TOSDAL, Ph.D.

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The MANAGEMENT REVIEW

July, 1926

Factors in the Business Situation *

By CARL SNYDER, General Statistician,
Federal Reserve Bank of New York

IT seems to me if I am expected to forecast the immediate future, I can only adopt the tactics of Mr. Dwight Morrow in the now famous story of the old lady and the war. According to the revised version, the old lady insisted he must know when the war would end and would he please disclose to her the secret.

"Madam," he said, "if you won't tell a soul, it will be on the seventh of November, at noon."

The seventh of November came along and the old lady was disturbed. However, she was relieved by the eleventh and shortly after that met Mr. Morrow and said, "My dear Mr. Morrow, how *did* the slip-up happen?"

I am afraid there might be another slip-up. What I really would like to talk about are the factors that enter into business movements and some new methods of measuring them which we have been at work on, are still working on, still in an experimental stage. It seems to me that something of this sort must come because as I see it American business is reaching a stage where we are in need of some scheme of co-ordination such as we have never had, something perhaps that might answer to the degree of co-ordination and coherence that has been introduced into the banking system by the new Federal Reserve System. It would have to be, of course, of a radically different type and so far as I can see would have to be along the lines of more accurate and dependable information.

We have had, for a long time past, barometers of the various sorts and kinds with which we are all familiar. The trouble has been, in the main, that they have related to certain products such, for example, as our old friend pig iron, or else to the transfer of goods by rail, and have in the

*Presented at the A. M. A. Financial Executives' Conference held in New York, May 26 and 27, 1926.

main related to industries which are precisely those which are the most powerful influences making for these extreme ups and downs of trade which we have come to call the business cycle. That is to say, they belong to what we call the producer type of goods or things that enter more or less, taking it broadly, into what we may call constructional activity—the extra activity outside of the response to the immediate standard needs of life.

If we stop to think about it a moment, it is obvious that if business were confined simply to the supplying of food and raiment and the various luxuries and amusements to which we are accustomed, there would be little, very little outside perhaps of the variation in the crops, that would produce any broad swings in business; and even though the crops might vary much, there is always the compensation of price, so that it is extremely doubtful if the harvests have ever had as much influence upon business as was popularly supposed. Of course as we steadily transform this country from an essentially farming population to an industrial population, an agricultural economy to an industrial and factory economy, we must have more of information regarding the things that make trade.

In the past history of this country, in this extraordinary development of business, we have had a steady progress of population across the continent and with that the construction of the means of transportation, both for population and the goods people produce and the goods they consume. The result has been the building up, in the last half or three-quarters of a century, of an extraordinary system of exchange, the like of which exists perhaps nowhere else to the same degree, to the same extent of transport and of broad exchange.

In the course of that building up we had to construct a vast mileage of railroads, develop new cities, and had to supply the iron and coal and other things that were necessary to that end; and that almost inevitably, like other business developments, went in waves, so that you had these great ups and downs of the '70s, '80s and '90s in which at one time we would be constructing 10,000 or 12,000 miles of railway in a single year, staggering the world at the achievement, and the next period be way down in the depths of depression.

It was evident, then, that the major cause of these ups and downs lay in these waves of constructional activity and those were deeply associated with coal and iron and their like, and with railway transport. It came to be accepted as a truism that those were barometers of trade. A familiar book bears the sub-title—"Iron, The Barometer of Trade."*

I think never was that true, in the sense in which it was used and it has, in any event, been less and less true decade by decade. The general

* *Industrial Depressions: or Iron, the Barometer of Trade*, by George H. Hull, 1911. Frederick A. Stokes Co., N. Y.

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trade of the country undergoes no such wide changes as the production of iron or coal or as the transportation figures would suggest. The fact that, for example, iron and steel production in 1921 amounted to less than half of the normal activity, would suggest that the whole trade of the country had undergone the same slump. In reality it did nothing of the sort. The trade of the country—that is to say, supplying the people with food, the garments they wear and all the rest—went on in a high degree. To what degree nobody knew, and that was one of the problems we set ourselves to solve, if possible, some years ago.

The method was not very far from the one you might think of in the case of a growing boy. A boy grows at a certain rate and at a certain age has a kind of normal or standard height. If you think of it in that way, you might say the departure from that normal is what you call the abnormal. In the same way the business of the country grows steadily from year to year, or at least for any three, five or six-year period.

Index of Production

We have constructed an index of production in the basic lines of industry upon which all business activity in the end must rest, and what we found was that, taken decade by decade, this rate of growth had changed singularly little in the last half century, and ran year in and year out, or rather decade in and decade out, at something like $3\frac{1}{2}$ per cent per annum. The exact estimate would vary a little, according to the materials that were used for the index. There were in some years wide variations from that growth, and in this last half century, as you will recall, we had two very severe depressions, one in '73-'77, and another in '93-'97, and interspersed with those, sub-panics like those of 1884, 1907, and the like.

If we are to form an intelligent idea of where business is at any given time, it must be with reference to that steady, normal, expected growth, and that is what we have tried to make the basis of these new measurements. For example, we were hunting in some old records and turned up reference to the fact that somebody had made an estimate in 1852 that the railroads of the country had that year carried a billion ton miles and they thought, and thought justly, that it was a marvelous achievement. Today we transport 400 billion ton miles and scarcely anyone knows anything about it or thinks of it. The vast machinery of the country goes on so smoothly; and yet, if it was interrupted for three days, the country would be in a panic. That steady growth, therefore, means that it is the departure or variation from a normal growth that constitutes what we call a business cycle.

It is a curious fact, as I recall it, that the aggregate of railway traffic increased every year, without regard to business cycles from, say, about 1850 to 1872, or something like that. It was simply the variation from the

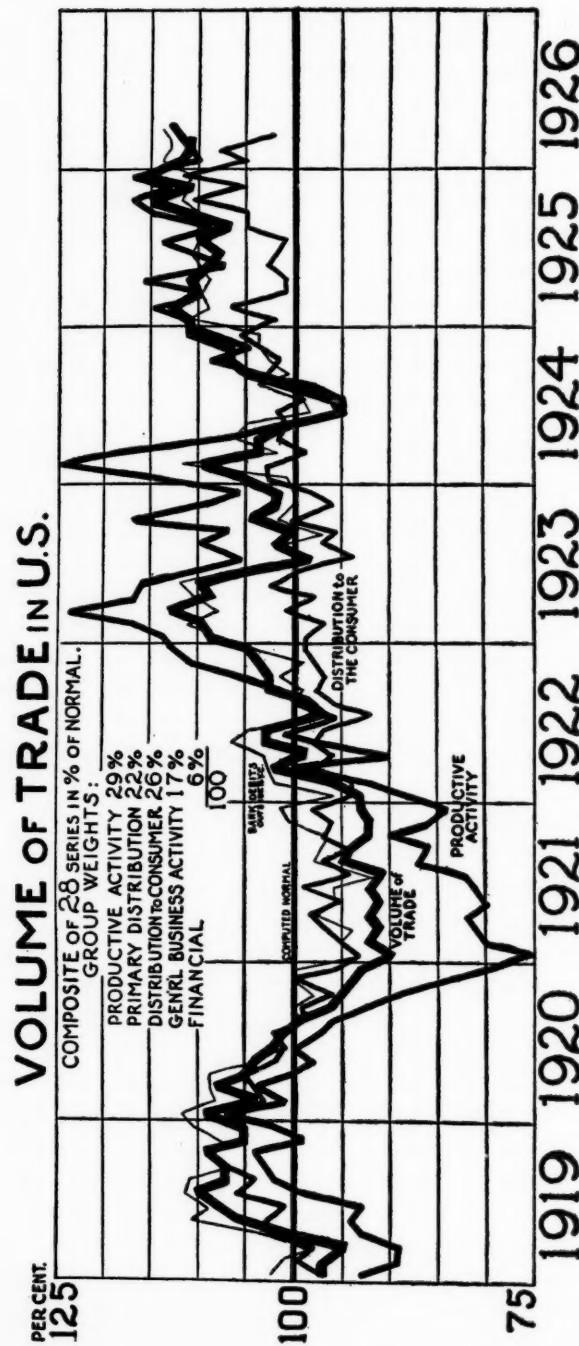


Figure I. The heavy black line in this chart is a weighted composite of indexes covering almost every branch of production, transportation and distribution of goods. The other lines represent distribution of manufactured goods to the consumer, the production of all types of goods, and bank debits outside New York City.

rate of growth that constituted the business cycle of that period, and it is essentially the same since; and that is the principle upon which these measures of trade that we have endeavored to construct have been based.

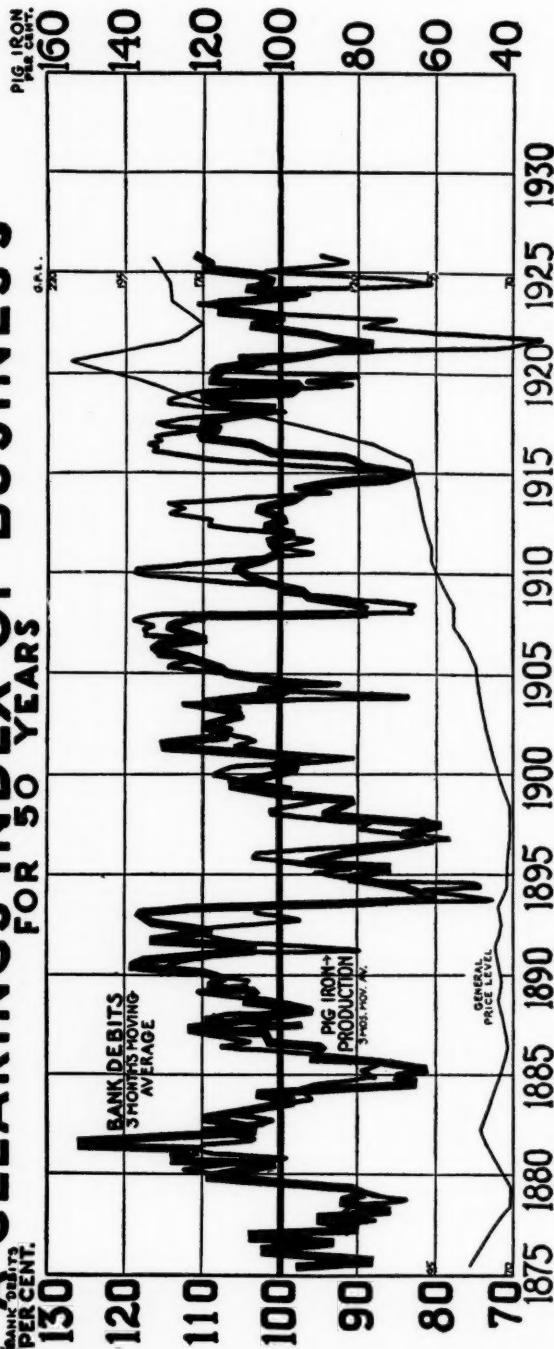
In other words, if you measure growth through a sufficiently long period, you get a kind of curve of expectancy, for anything—for railway traffic, for the consumption of cotton, or whatever you will. That is to say, as the population grows, the wealth of the country, the income of the country grows. So the consumption of goods grows each at a characteristic rate and for each of those we have tried to construct the curve of expectancy. We do not have to carry that five, ten or twenty years ahead as do our friends, for example, in that extraordinary well managed and foresighted organization, the American Telephone & Telegraph Company. We need only know what is approximately the expectancy, let us say, for a given year—the year we are in now. We do not have to, for this purpose, really project at all, but simply to attempt to estimate what is the normal expectancy for the year in which we are.

So, for example, if actually your coal production expectancy for the present year should be, say, 500 million tons and it should only come out 400 million tons, then you would say that the coal industry was something like 25 per cent below normal in its production; or, correspondingly, if it went up to 600 million or more, it might be 20 or 25 per cent above normal. Reducing everything thus to a common denominator it is easy to see that you may make comparisons between industries, one industry against another, one branch of trade against another, even the increase of bank deposits or bank credit, for example, against the increase of cotton consumption or the woolen trade or its like, or trade as a whole.

Having all in terms of this expected normal, we can compare each one as a percentage figure and, if need be, combine them together into a weighted composite which is precisely what you have before you in Figure 1 in the heavy black line—a weighted composite of a great variety of indexes covering almost every branch of the production, transportation and distribution of goods. Putting all those together, we have, as it seems to me, such a broad sampling of the business activity, the trade of the country, that we may determine what are the exact measures of the changes from, let us say, periods of prosperity and depression.

Let us consider some of those measures. If you took the production of all types of goods, inevitably, in consequence of their value, weighted heavily with basic materials like pig iron, woolens, cotton and the like, added in building and even automobiles—in other words, took all forms of construction and took this percentage of normal in each case, then you would find that in January of 1921 the production side of business had fallen to some-

A CLEARING'S INDEX OF BUSINESS FOR 50 YEARS



The chart above shows the new Index of the Volume of Trade, prepared by the Reports Department of the Federal Reserve Bank of New York. It represents a composite of 56 independently computed series, weighted according to the estimated importance of each. In each case what is called the "normal expectancy," or the computed trend of past years, is taken as 100 for any year or month; and due allowance is made for the usual seasonal changes so that the results for each month may be directly compared in the index numbers, without reference to the normal or usual differences between, say, February or March, or July and December. Since in this plan the steady secular growth of trade is allowed for, this normal expectancy is here represented by a horizontal line, although in reality the trade of the nation grows at something like $3\frac{1}{2}$ per cent per annum on the average. The component series represented in this index are published regularly in the "Monthly Review of Business Conditions," published by the Federal Reserve Bank of New York, which may be had upon application.

thing like, on the average, 25 per cent below the normal expectancy. Was that true of the general trade of the country?

Let us compare another line which represents very largely the distribution of manufactured goods to the consumer, that is to say, wholesale and retail trade, and the business of the chain stores and all their ilk. Even at the very worst we found no such drop in their trade. A matter of something like 5 or 7 per cent represented the depths of the depression of retail trade, at one of the worst depressions, while it lasted, that this country has known.

I say one of the worst, because actually in a 75 years' record of railway traffic, for example, there has never been such a drop, in percentages, from a previous peak of achievement to the bottom, as was recorded actually in the year 1921. The idea that business in all its forms is steadily growing more stable seemed belied by that situation.

If you compare next, the final distribution with the productive activity, it is easy to see that at this period production must have been very much below consumption. Correspondingly at another period as, for example, in the beginning of 1923, when there seemed no abnormal rise in the retail trade of the country, production was running at a very high rate. The extreme height represented there may be largely due, or in part due, to the tremendous volume of building and the making of automobiles. Nevertheless, it was clear to see that in the one case, in 1921, trade was far below production; in the other, in 1923, much above it.

Taking it by and large, as you will see, according to the measures that we have made, at least since the war, and I think that would involve the extremes of depression and boom that we have experienced in a quarter of a century, business appears as a whole to have fallen not more than perhaps 10 or 12 per cent below this normal expectancy and rarely to rise much more than 12 or 15 per cent above it.

I have sketched very briefly the method by which we have undertaken to measure business; the deductions from that I should much prefer to leave to you. I can only say as to the present that we have unquestionably been running in the last few months, and, in fact, for a full year and a half, at a very high level pitch of activity, largely due to the tremendous building program and the prosperity with which that is associated, especially as regards the automobile trade.

The problem is how far that pitch of prosperity can be maintained. One of the most interesting men I know offered this point the other evening. He said, supposing you have contented workmen, working at high wages, creating a surplus, no strikes, no excessive borrowing at the banks, no prospects of a credit stringency or high interest rates, how long could

prosperity continue? I had to answer, as anybody must, that we had no experience with such conditions before. It seems to me that represents the very kernel of the failure of so many attempts to anticipate the future and makes it difficult to say definitely that the war would end, let us say, on November 7 or 11. That is to say changing factors complicate the problem so deeply that allowance for those factors can be best achieved long after the event.

There are a few things that seem to me to be obvious. One of these I have pointed out here. If you have a condition where the productive activity of the country falls very far below the rest of business and below its own normal expectancy, it is very evident that recovery must be rapid—that is, given other factors, of a solvent country, carrying on an intense trade and not in danger of any financial difficulties. On the other hand, if that productive activity is excessive, it seems inevitable that some recession must result, in other words, if your productive activity line gets too far above your general business curve, or, if you please, the line of total consumption.

I am not sure that the degree of stability in the volume of trade which is represented by the line of retail trade represents the ideal of achievement. There are those who argue, and I think not without effect, that we must have some swings in business in order that we may have at times a liquidation of some ideas or feelings or desires that inevitably grow up with anything like monotony, even the monotony of prosperity. If we are going to have a continuance of such swings in business, it seems to me that it would be just as well that we knew approximately just how far we were swinging, and in just which direction the swing was going. That has been, I think, the main object of the work of these indexes to which I refer. I was careful to say that they are still in the experimental stage, some of them, for some of the data, as for example, for retail trade, we still have only about seven years of definite information. It is extremely difficult in a short period like that to fix very exactly the normal trend, difficult at any time, if you please. It is obvious, however, that if you can put together, as we have, more than 50 of these separate activities (which are represented by the heavy black line) you have the safety that lies in numbers. Your tendency to error will be impartially, let us hope, distributed on either side so that in the composite or the aggregate the net of error will not be very great.

As I see it, it is something like these measures that will provide us with a definite idea from month to month of just where business and trade are, and which direction they are tending. It is perfectly conceivable that the whole trend of business may change when business executives have so far standardized and organized the business of the country that nothing can go wrong. I doubt very much if that point has been yet attained.

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THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Management Tendencies in the United States

Management problems in the United States have been intensified by the size of many industrial units, by international competition, by the vastly increased productive capacity in many lines of American industry, and not least, by the new American restrictive immigration policy which is making of the labor problem a much more important factor than ever before. The interdependence of different lines of business, and for that matter, the damaging effect of ill-managed companies on their competitors, is also quite generally recognized.

Executives not only recognize a moral obligation to contribute to the knowledge of modern management methods, but many of them also believe that their own problems can only be solved if other lines of business and other companies undertake to forecast and to stabilize their own business.

One of the principles being recognized in American business is the principle of undivided responsibility. This principle is well recognized in small companies, but is equally applicable to large companies. Specifically, it means that staff departments do not exercise control but provide the policy making and operating group with the data on the basis of which policies may be reached and operations effectively carried out.

American business has been greatly in-

fluenced by American governmental institutions, especially the doctrine of checks and balances which really assumes that the only way to compel honesty is to set one man to watch the operations of another. There is a strong tendency in American business to get back to the fundamental principle of undivided responsibility for results, aided, however, by the fact-finding agencies within the company, such as a comptroller's department, the personnel department, or a budgeting department may provide. By W. J. Donald. *Industrial Canada*, June, 1926, p. 93:3.

Maybe It Is a Wild Idea

The political economy of the past was built for a business age in which production was the main problem . . . of the main problems of the future the first is distribution. How can we fix up the world so it can buy and consume all that it can produce? The second big new problem is public relations. The great question of the future is "How are great aggregations of capital going to make themselves not merely tolerated but actually liked?" The suggestion is made that the electrical industry in order to accomplish this might devote a fraction of the earnings of all the companies each year to a great philanthropic service which would be a permanent memorial to this industry and a builder of goodwill for it.

The public relations program of the future must be as audacious, as beyond precedent as the growth of the future is sure to be. A policy based merely on giving

* A copy of any article abstracted may be obtained by sending to the office of the Association 25 cents per page which represents the cost of photostating.

the public full value for its money and telling the truth, will not keep abreast of the phenomenal changes that are going to take place in other departments. By Bruce Barton. *National Electric Light Association Bulletin*, June, 1926, p. 387:3.

The British Inquiry into American Efficiency

Colonel F. Vernon Willey, president, and Mr. Guy Locock, assistant director of the Federated British Industries, recently made a report to that organization on conditions in the United States, after an extensive tour. Among other things the report says, "The growth of employee ownership as an evidence of co-operation between capital and labor goes far to explain the amazing increase in the efficiency of American production." Industrial organization was another matter of surprise to the visitors, the report declaring that what is particularly striking is that the American leaders of industry, finance and commerce are much more ready to take part in the work of these associations, even at great personal sacrifice, than are the British employers. *Industrial Relations: Bloomfield's Labor Digest*, June 12, 1926.

The New Competition

The author outlines the new forms of competition—industrial competition, foreign competition, competition for the purchaser's dollar, competition for trade outlets, competition between factories for labor, competition between industries for investors. By O. H. Cheney. *Nation's Business*, June, 1926, p. 13:3.

Eliminating Irregularity of Operation

No one has a panacea for this problem. To mention a policy is merely to make a suggestion taken from the experience of other concerns. In this, as in all business matters, judgment and careful adaptation to the particular conditions are essential. But it should be noted that only those policies are mentioned that have been

found practical and are quite generally in use among firms which have reduced the irregularity of production and employment.

In discussing management's means of regularizing employment first place should be given to the subject of distribution, as more important than the other aspects, production and labor management. Every other method of steady work or of providing for workers when they are unemployed depends chiefly on the degree of control achieved over demand. When individual manufacturers, alone or in co-operation with others, have acquired some influence over the kinds of goods wanted, the time when they are ordered, the amount desired, and other elements involved, the foundations for marked improvement in the steadiness of industrial operations have been laid. The technique of production planning and of personnel management have already advanced to the point where exact scheduling is possible.

The attack on irregularity of production and employment must, however, come from all three sides. While the most important flank is that connected with distribution, it will avail little if not followed up from the side of production technique, and reinforced by those supplementary methods of personnel administration which take care of the working force in the way most suited to the changing business situation.

The methods outlined in the article include:

- I. Distribution Policies that Promote Steady Operation
 1. Market Analyses
 2. Diversifying the Output
 3. Reducing Excessive Variations of the Same Product
 4. Modifying the Extremes of Style Changes
 5. Getting the Consumer to Buy More Regularly
 6. Securing Orders from Dealers Well in Advance of Need
 7. Developing Long Range Policies of Business Expansion

8. Co-ordinating Sales, Production and Other Factors, through Scientific Sales Planning
- II. Organizing Production Within The Plant
1. Production Planning
 2. Manufacturing for Stock
 3. Production Research to Eliminate the Weather Factor
 4. Utilization of the Dull Period
 5. Budgeting the Hours of Work
- III. Personnel Policies that Promote Steady Work
1. Planning Personnel Requirements
 2. Training for Transfer.

In conclusion, the stabilizing of sales, the steadyng of production, the regularization of employment, all are parts of the same problem. There is rarely any one policy or trick which will achieve the complete result. In most instances success depends on a rounded-out program in which every factor causing irregularity of operation is given its proper attention. By Herman Feldman. *Kardex Institute Management Bulletin*, May 12, 1926. 4 pages.

A Remedy for Over-Production

One of the main aims of American capital invested abroad, aside from the furthering of foreign currency stabilization, is to finance or strengthen the financial condition of purchasers of our export production, or as Secretary of the Treasury Mellon recently remarked, the creation of "solvent consumers."

The idea of broadening our foreign markets is very logical and sensible. The only question is whether this idea can be accomplished successfully by the wholesale financing of foreign buyers of our products.

Next we must consider whether Europe, financed by America, would not, as a result of its own increased production, soon control such impressive quantities of surplus merchandise that it, in turn, would appear in all the world markets with its offerings and affect our export opportunities to an even more unfavorable degree.

It is our conviction that the current economic situation of America requires, before anything else, a strengthening of the internal consuming power to the limits of its capacity. Firstly, the placing of the present surplus production at home because of increased demand, and secondly, larger export possibilities because of appropriate price levels for our products. Editorial. *Economics*, April 15, 1926, p. 2:2.

What of British Industry?

One thing that cannot fail to strike the observer who studies British industrial methods is the fact that in many cases her manufacturing methods are old-fashioned and costly. For this the dominant labor unions, the employers, the traits of the British as a people or factors over which the English have little or no control may be more or less responsible.

England lives largely on her foreign trade. A sudden change in methods would involve a correspondingly rapid expansion of her foreign markets or would enormously increase the already large number of her unemployed. Any change must be gradual and even so will probably involve some disagreeable adjustments; but that it would in the long run increase the prosperity and better the living standards of the British people can hardly be doubted. By Arundel Cotter. *Barron's*, May 31, 1926, p. 5:1.

Industrial Stability in the United States

Large groups of Europeans will come to the United States in the days to come and within the next five years there will develop a considerable literature in Europe dealing with American methods of management and handling man-power.

The impulse to keep bettering technique and operation, and not sentimentality or theory, goes to account for the new professions connected with supervisory functions.

If sound management has done its share

to bring about a noteworthy stability in industrial relationship, that same soundness of executive skill will see to it that such stability is made an incentive to further progress.

Industrial service activities must earn their keep. They must justify themselves to management and men day after day. They are as subject to improvement as any other element in the equipment and investment.

The business-like viewpoint of industrial relations is best because it brings in the factor of judgment and continual appraisal.

That puts it on a basis which is self-respecting to all concerned. The men count in such a scheme, as much as does the executive policy. The business-like team result is what insures the permanence of the policy. *Industrial Relations. Bloomfield's Labor Digest*, May 22, 1926, 2 pp.

Steel Merchandising Is Antiquated

Competition between industries rather than within industry calls for united efforts to hold established trade and to develop new markets. Ignorance of the causes of business fluctuations of the facts of supply and demand and efficient business methods has resulted in intense competition within each individual industry. Today the com-

petitors that manufacturers have most to fear are not those in their own industry. The real competition is not between concerns in the same industry, but between different industries meeting similar needs. Not for the individual concern's share of the money spent in the industry, but for a proper share of the national income for the industry as a whole.

If an industry would extend the field of its product, it must build up in the general public a consciousness of the merits of its product that will create confidence in the service it can render. The hot and cold steel industries have been relying too much on the merchandising methods of the past while manufacturers of competing products have been alert to take advantage of the merchandising principles of today. Constructive advertising to build up a public consciousness of steel has never been applied. The cold steel industry, especially the fabricators of structural steel, are planning to advertise and looks forward to the time when the hot steel industry will co-operate in the execution of a construction educational campaign to arouse such a consciousness of steel and so protect the steel industry from the encroachment of products aggressively marketed by competing industries. By Charles F. Abbott. *The Iron Age*, June 10, 1926, p. 1639:2.

FINANCIAL MANAGEMENT

Commissions on Financial Morals

As far as inception and operation of stock corporations are concerned, we have the most liberal system in the world. True, the moneyed corporations are subjected to specific state and federal supervision and control, but all other corporations, especially those of industrial and commercial nature, cannot complain of lack of freedom in their activities. Enterprises may be founded in corporate form, with a nominal capital and apart from some slight and easily met formalities there is nothing

to prevent unhampered operation and development of the corporation.

The great power of assimilation of American industrial and commercial enterprise in the face of any situation, has its origin in the facility for raising capital in associated form provided by law. Without this magic want, facilitated corporate association, there would be no industrial skyscrapers, and the economic developments and progress of America would have been compelled to take a slower course.

The economic situation would suffer the greatest set-back, if over-eager "reformers" should succeed in shattering confidence in the existing system by incessant crusades.

Therefore one of the most important assets of the country, the potentiality of our capital association system, must not be weakened by attacks, especially unnecessary attacks on confidence.

The existing corporation laws, broadened and supplemented in certain directions, would be ample to achieve the desired aims. Obligatory publication of balance sheets and profit and loss accounts of corporations will not miss its cleansing effect, where required. *Economics*, June 1, 1926. p. 3:1.

Bondholders and Receivers

This article outlines the rights of bondholders when acts of the receiver affect their interest and covers such important topics as the receiver versus the bondholder, the question of interest, status when the receiver issues certificates, the bondholder versus wage earner, the wage earner's preference, a case of railway bonds, etc. *Barron's*, May 31, 1926. p. 12:1

Determination of Manufacturing Costs

A solution is given with illustrative entries. The concern, David Manufacturing Company, whose accounts form the basis of the proposition, determines cost of production by gathering together in appropriate accounts the expenses of operating the factory, and divides the aggregate of the expenses by the number of units produced. By Charles T. Bryan. *The Pace Student*, May, 1926, p. 12:4.

Customer-Ownership Plan Defined

Approximately \$300,000,000 was raised by power and lighting companies in the United States in 1925 by the customer-ownership plan of financing. This fact was made public at the forty-ninth convention of the National Electric Light Association, held in Atlantic City this week.

Adoption of this method is perhaps the

most important step ever taken by the companies engaged in that industry. It is doubtful if they could have obtained the funds for their development in a more satisfactory manner. Demands of the public for power and lighting service have been enormous in recent years.

In addition to obtaining the necessary funds for their requirements, these companies have built up a good will by this method which would be difficult to be measured in dollars and cents.

Although the plan has been used by many utility companies for some time, no official definition or explanation of the fundamentals of its operation has ever been made until now. The committee this year outlined the plan as follows:

"1. The sale of the securities must be direct from company to customer or through an agency expressly created for the purpose and controlled by the company.

"2. The safety of the securities offered must be amply protected by property and earnings.

"3. A minimum rate of dividends must be provided for in so far as honest judgment based on experience can foresee.

"4. A reliable resale market must be maintained in some manner so that shareholders who wish to dispose of their holdings can do so promptly at nominal expense.

"5. A partial payment purchase plan must be operative in order to give every customer who can save a small amount monthly full opportunity to become a shareholder and to encourage thrift.

"6. The proprietary interest and responsibility of shareholders must be emphasized and the shareholders supplied regularly with information regarding their company and its affairs.

"7. Loss of capital by shareholders in hazardous and fraudulent offerings from various sources must be guarded against by the rendering of authentic information and advice to shareholders.

"8. The number of shareholders must

be increased steadily, and efforts should be made to avoid large individual accumulations of stock.

"9. Employees must be carefully instructed in order that all representations made to customers or others are in line with the facts.

"10. Managements must realize that customer ownership multiplies their obligations to the public and intensifies the trust reposed in them. It does not replace the constant striving for higher efficiency, good service, reasonable rates, courtesy and progressive public relations policies."

One of the biggest advantages derived by the industry from the adoption of the customer-ownership plan is the assistance in the sale of senior securities at a low rate by reason of having a well-balanced capital structure. The ratio of funded debt to capital stock of utility companies, as a group, is perhaps as near to ideal as can be found anywhere. *New York Evening Post*, Saturday, May 22, 1926.

American Investment Trusts

The investment trust should be viewed as essentially a co-operative or mutual investment plan. Nothing holds so much promise for the profit and protection of investors large and small.

The investment trust has many elements in common with the insurance company. Both do for the individual what the individual cannot do for himself. Both operate to eliminate or alleviate certain risks by co-operative attack.

The only proper investment policy is one which seeks to alleviate the risk by making investments part of which will be affected favorably in increase in purchasing power to offset the effects on other investments influenced in the opposite direction.

A consistent distribution of the maturities of bond and note investments is the key note of a policy of continuous investing which will smooth out market changes.

Constant turnover does more than equalize market movements. It tends to

alleviate the progress risk, keeping judgments up to date. The frozen investment fund is at the greatest disadvantage as compared with the fluid.

The early days of the British trusts witnessed a more general policy of restrictions while, with the demonstration of the merits of the plan, it has been found that strict provisions hamper rather than help the management. By Walker Van Riper, *Barron's*, May 24, 1926, p. 3:2.

Investment Banking in the United States

Investment banking has been a distinctly modern development. It has been evolved, gradually, from general banking. For its evolution there have been necessary two factors:

1. The development of borrowing or other financing on the part of governments and corporations
2. The development of a body of investors able and willing to purchase any securities issued.

Of late years, there has been a very large increase in the number of concerns doing an investment banking business in the United States. The increase in numbers has come mainly from three sources:

1. From the springing up, in almost every city of any considerable size, of small investment dealers who make a specialty of keeping in close personal touch with their clients;
2. From the development, by many of the large commercial banks and trust companies in New York City, in Boston and throughout the West, of investment departments;
3. From the growing practice on the part of savings banks, trust companies and national banks in small communities of advising their customers in investment matters or making for them investment purchases.

Centering in New York City, the National City Co., a subsidiary corporation of the National City Bank of New York, and the Guaranty Co., a subsidiary of the

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Guaranty Trust Co., have built up elaborate organizations, with offices in many of the principal cities of the country, for the distribution of securities to the public.

The article proceeds to describe the different types of wholesale and retail houses, the relation between issue houses and governments and corporations and the organization of the wholesale houses, the process of investigating securities, methods of wholesaling securities, etc. *Barron's*, May 31, 1926, p. 7:2.

Ratios of Expense to Gross Income in Operation of Trust Departments

The reasons for variations in ratios are traced, and it is shown that earnings are chiefly influenced by internal methods of operation and procedure. The importance of having an officer in charge of operations is emphasized.

Study classes for the general bank staff will change the attitude of the organization of the bank toward the trust department, and cause it to assume a position of real importance in the minds of the staff.

No trust department should accept business unless it is placed on a profitable financial basis, even though that customer's account is profitable to some other department of the bank. By R. R. Bixby. *Trust Companies*, April, 1926, p. 545:5.

A Study of Utility Financial Structures: Scope and Method

An empirical determination of the financial structure of public utility companies is outlined, giving a perspective of existing financial conditions. The result of this study will not yield an ideal financial structure, but the representative one. To gain the necessary perspective of management problems, it is important to obtain answers to such questions as, "What is the representative proportion of investment in fixed plant? Of borrowed fixed capital? What is the representative operating

ratio?" The procedure of investigation and statistical problems involved are discussed, together with the methods of analyzing data. By A. E. Patton and O. Gressens. *The Journal of Land and Public Utility Economics*, April, 1926, p. 217:7.

The Retail Merchant's Budget

For the average retail merchant, a monthly budget made out three months in advance will prove most satisfactory. The initial budget would be made out separately for each of the three months in advance. Then, at the end of the first month, the merchant would automatically make out a budget for the third month ahead. At the close of each month he would repeat this process. Since the budget is worked out on a monthly basis, he can check it against actual operations at the close of each month's business. In this way he operates on facts, not guesses. By A. M. Burroughs. *What Next?* May, 1926, p. 7:2.

A New Angle on the Question of Non-Voting Stocks

In all the discussion of non-voting common stocks there has been very little discussion of the legal rights of stockholders. The New York State law plainly expresses the intention of its legislators to leave to the discretion of the individual corporation to arrange its contractual relations with the stockholders in so far as differentiation between classes of shares especially so far as the privileges, rights, and restrictions of the latter is concerned. This legislation does not want to interfere in the contractual relations between stockholder and corporation. It considers the provisions of the common law sufficient for the entire protection of all those concerned. I cannot conceive why the contractual relations of stockholder and corporation should require any special protection or be subjected to any rules and regulations beyond

the provisions of the common law. If such special protection became practice, it would follow that all contractual relations arising from civil life would be entitled to similar protection. This could lead only to endless confusion in litigation, rather than to a clearer understanding of law and order as codified in the common law.

The purpose of all corporations (in France, Société Anonyme, in England "Limited") is primarily to exclude any personal liability of the participants and to limit their liability to the amount of the stock capital. Editorial. *Economics*, April 1, 1926, 3 pages.

The Dilemma of Thrift

Progress toward greater total production and resultant higher standards of living is retarded because consumer buying does not keep pace with production. Consumer buying lags behind because industry does

not disburse to consumers enough money to buy the goods produced, without a fall in the price-level, and also because consumers, under the necessity of saving, cannot spend even as much money as they receive. We are making progress only while we are filling the shelves with goods which must either remain on the shelves as stock in trade or be sold at a loss, and while we are building more industrial equipment than we can use. The situation now is: Both producers and consumers *must save*; but at present they cannot save without to some extent frustrating the social object of saving.

What we need is more exact knowledge concerning the flow of consumers' goods in relation to the flow of consumers' income, and on the basis of such knowledge, the wisdom and courage to act. By William T. Foster and Waddill Catchings. *The Atlantic Monthly*, April, 1926, p. 533:11.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests.

Personnel Inventory

When employees rebel against the "system" and listen to irrational labor leaders, they are really seeking an outlet for their individualities. It is true, of course, that at times they want more money or better working conditions; but more often they do not know what they want. They just want "something." Not being able to analyze their own inner longings, they ask for the customary thing—shorter hours and more pay. What they really want is a man-to-man consideration of themselves as individuals.

Management has been trying to satisfy the indefinable wants of employees by giving them various forms of welfare work: group insurance, home nursing service, dental services, athletic organizations, musical organizations, picnics, etc. But

group schemes of making workmen happy and efficient are only a make-shift for the effective thing: dealing with individual employees as individual units.

The personnel method described here involves the following:

1. The appointment of a personnel counselor;
2. A personnel inventory;
3. A master job classification chart;
4. A promotion chart;
5. Periodical interviews and a development program for each interested employee.

A personnel inventory involves the following steps:

- A. A systematic study of what the employee thinks of himself vocationally;
- B. A study of what others who are acquainted with him think of him;
- C. A measure of his capacities by means of psychological tests;

D. A study of the present and future personnel needs of the company.

A large brass company likewise combines five personnel records on a single form, but using only one card for each employee, with information on both sides of it; and not two filed together. The elements are personal history, physical examination data, wage rate changes, the attendance record, and miscellaneous information.

The result is that a glance down each column of the file shows at any time how many workers of each nationality are employed, which may be desirable information about the labor situation; and how many men already in the company's employ can fill other positions as they fall vacant, which facilitates the promotion of deserving employees ahead of men who are applying for work from outside the company. Of course, in the use of this record system for promotions, the check marks on the visible margins serve simply as a guide to the separate cards, which contain detailed information of the eligible men.

A promotion chart can also readily be used for making salary studies to find out whether some jobs are overpaid in comparison with other jobs of the same grade. Any promotion system which a company may organize will fail unless some one individual puts it into effect.

To recapitulate: the value of the plan of perpetual personnel inventory is that it individualizes the relationship between employer and employees and puts it on an economic rather than a group philanthropic basis—thus inducing contentment and loyalty on the part of employees, which means better work done; and fostering the potential capacities of employees, who will be valuable to the business in the future. By Harry Walker Hepner. *Kardex Institute Management Bulletin*, April 29, 1926, 6 pages.

A Sixth Sense for Managers

Today it is plainer that the hired business manager is the result of several new

developments in American industry such as—

1. The dilution and diffusion of capital ownership.
2. The more or less complete dependence of these owners for their dividends upon the services of a hired manager.
3. The responsibility of this hired manager for developing the business of establishing right relationships with different groups of human beings—namely, his stockholders, his customers, and his co-workers.
4. The resultant interest of such a manager in anything and everything which helps him to understand and affect the doings of people—whether they be buyers, sellers, owners, or producers.

5. The heightened interest of such a manager in helping his workers not simply to "keep quiet," but to give him their very best.

Consequently, executives must master besides the technique of sense and figures also the technique of sensibility and feelings. By Whiting Williams. *Management*, May, 1926, p. 40:3.

The Rating Plan

An outline of the rating plan of the General Electric Company showing a rating sheet for commercial representatives and outlining the plan for others.

The rating plan contributes to efficiency in three important ways—

1. It is educative. It improves the supervisor's judgment of human nature and his ability to select, develop and direct his men.
2. It is informative. It supplies the executive with valuable information about the personnel of his department.
3. It is stimulative. It directs attention to the human element, and furnishes a real incentive to every employee to improve himself in qualities which have been recognized by the Company as essential for his job. By R. W. Adams. *The Monogram*, May, 1926, p. 3:3.

Benefit Systems and Incentives: Pensions, Profit-Sharing, Suggestions, Vacations, Stock Ownership.

Larger Cash Awards in New Suggestion Provision

According to the new plan in use at the Commonwealth Edison Company the initial awards for Edison suggestors whose ideas involve definite economies to the company will be 10 per cent of the estimated annual saving for the first year the suggestion is in effect. At the end of that period the suggestion will be reconsidered, the actual cash saving determined, and an additional cash award may be made, bringing the total up to an amount of not greater than 25 per cent of the annual saving. *The Edison Round Table*, May 31, 1926.

How Profit-Sharing Has Helped Our Employees to Save

The saving and profit-sharing plan that was devised to meet the requirements of the Harris Trust and Savings Bank of Chicago is this: Employees who have been with the bank three years must contribute two per cent and may contribute five per cent of their salaries to the fund, which is controlled by five trustees selected by the board of directors of the bank. The bank in turn contributes semi-annually to the fund five per cent of its net earnings be-

fore dividends to the stockholders are declared. But not more than \$200 may be contributed by an individual. The amounts contributed are credited to their respective accounts in the fund and semi-annually the contributions made by the bank and the earnings and forfeitures of the fund are pro-rated and credited to the employees in proportion to their respective contributions. By Walter R. Bimson. *The Bankers Equipment-Service Bulletin*, May, 1926, p. 7:3.

A Merit Bonus Plan for Salaried Workers

A manufacturer of electrical supplies has developed a supplemental bonus plan which is based on the general merit of the worker and his value to the company. At the end of the first year, if the employee's record has been approved, he receives 1 per cent of his salary. This percentage increases 1 per cent yearly until a maximum of 5 per cent is reached. Constructive suggestions not only influence the worker's award, but are paid for separately when accepted. The factor of personal judgment entering into this plan requires careful handling to make it a success. By Russell B. Williams. *Pacific Factory*, May, 1926, p. 22:1.

Records: Forms, Charts, Cards, Files, Statistics.

New System of Distributing Price Sheets and Other Printed Matter

The Publicity Department of the General Electric organization has put into effect a new system of distributing price sheets and other printed matter. The new system eliminates about 300,000 envelopes, each individually addressed and stamped with postage, materially reduces the cost of distribution and presents to each individual in an orderly manner, once each week, in one package, all printed information which he is supposed to have instead of in a number of envelopes received each

day. It saves considerable time in changing sheets in price books by having the new ones arrive all in one package so that all changes for a week can be taken care of at one time. By L. De Witt Efner. *The Monogram*, May, 1926, p. 11:2.

Employment Procedure and Expense Control

Every industrial retail store should keep records of the store as a whole and of each of its departments. At least eight forms are essential for stores employing more than one hundred people. These

are: 1. A requisition for employment. 2. An application blank for those seeking employment. 3. An employment record which provides a history of the individual who has been employed. 4. A request for references. 5. A service record. 6. Change of rate notice. 7. Transfer form. 8. Termination notice. The procedure as to the use of these forms is outlined. By Dr. James H. Greene. *Industrial Retail Stores*, June, 1926, p. 26:2.

Employment Forms and Records

A convenient method often employed for handling the record system is that of the individual envelope, each envelope containing all the necessary particulars concerning the employee whose name it bears. As an example, an English engineering firm makes use of the following forms: Post

cards to applicant for employment; Requisitions for labor; Application forms; Application for references; Engagement form (hourly wage employees); Authority to deduct wages for Hospital Saturday Fund; Pass admitting to works; Transfer form (hourly wage employees); Workman's record card (duplicate kept in Wages Office); Alteration of wages form; Discharge form (hourly wage employees); Accident form; Boys' record cards; Staff re-engagement (departmental consent) form; Engagement form (staff employee); Discharge form (staff employee); Apprenticeship indentures; Apprentices' record sheets; Monthly return of wages paid to various grades of labor.

The article is illustrated by various forms. *Industrial Welfare*, May, 1926, p. 150:5.

PRODUCTION MANAGEMENT

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration.

Overcapitalization and Unemployment
Overcapitalization and decrease in export trade are stressed as the fundamental causes of the depression and unemployment in the cotton goods industry in Lancashire, England, according to a statement published by the textile workers. They declare that an investigation into the condition of the textile industry and reasons for the decline in export trade offer the most likely solution of the crisis, and criticize both strikes and wage cuts as remedies for the situation. *American Federation of Labor Weekly News Service*, June 12, 1926.

Unemployment in Foreign Countries
Employment conditions in practically all European countries except France grew worse during the early part of this year, due in part to seasonal causes, but in the main to under-consumption by the great

masses of the population. Their decreased purchasing power makes it impossible for them to buy what they need for cash, and the credit stringency is so great that commerce cannot do business on any other basis. Another cause is that many industrial plants have not kept step with progress in the matter of technical equipment and modern factory management. *Monthly Labor Review*, May, 1926, p. 151:16.

The Problem of Labor Output in Soviet Russia

The campaign instituted in 1924 with a view to increasing the output of workers took these forms: (a) more extensive introduction of the system of piece wages, without restriction; (b) raising of the minimum standards of output to the extreme limit possible; (c) improvement of discipline in the undertakings. The intensification of effort on the part of the workers seems to have reached the maximum.

It is realized that unrestricted adoption of piece wages has a bad effect upon the quality of the output and the health of the workers. The trade unions consider that there must be an improvement in manufacturing processes and a real increase in

wages. But these changes necessitate funds which the state industries do not possess, being anxious to increase their output for the very purpose of renewing their capital. *International Labour Review*, May, 1926, p. 684:33.

Employment: Classification, Selection, Tests, Turnover

Are Overalls Respectable?

Every manufacturing organization has two employment offices: one where office workers are hired and the other where plant workers are hired. A steady stream of husky, intelligent and ambitious young men are storming the portals of the office employment bureau, while a thin stream of middle-aged, floaters and old men go into the employment office where plant workers are hired. Industry would like to divert the human tide from the one office to the other.

This white collar complex is usually bred in the public schools; manual and vocational training are neglected. On the other hand, many great plants are spending time and money in a determined and united effort to increase the thinking and working capacity of its workers.

Something must be done to educate young America to a point where overalls will become a badge of respectability. Perhaps the program now in operation will accomplish it or perhaps something new and decidedly radical will be necessary. By Harry Botsford. *Barron's*, June 7, 1926, p. 9:1.

How Some Personnel Methods Work

A plea for the salvaging of the lost manpower of industry that is due to labor turnover and lack of proper supervision, and unapplied efficiency. Also a description of the personnel activities of the Illinois Bell Telephone Company and its value. The telephone company has adopted as the guiding posts of personnel work what might be called the four C's—they are, Contact, Conference, Confidence and Co-operation. By Arthur Perrow. *Manufacturers News*, May 29, 1926, p. 7:3.

Employee Service: Hygiene, Recreation, Lunch Rooms, Stores

The New Pay Roll Plan to Safeguard Those Who Guard and Handle the Cash

At the Fort Wayne Works of the General Electric Company nearly all the local salaried employees receive instead of money, duplicate bank deposit slips, showing that their wages have been deposited in the banks of their choice. This is done to eliminate the hazard of an armed attack against payroll employees. The plan is working smoothly and may be offered to all factory employees. *Fort Wayne Works News*, June, 1926.

First Aid Rooms in Small Plants

A report which has been compiled for the benefit of the small manufacturing plant interested in installing a first aid station. It will aid in planning space, equipment and instituting correct practice. The chief factors to be considered are: 1. Extent and character of service likely to be rendered. 2. Type and training of person to be in charge. 3. Location, size, and equipment of room. Industrial Health Series: No. 1. Metropolitan Life Insurance Company, N. Y. 8 pages.

Paymaster Protection

Large payrolls are usually well guarded, but protection for the smaller payrolls is not so feasible because of the expense. The mere presence of one or two guards accompanying the paymaster is not sufficient to prevent or frustrate holdups. Paymasters should vary the hour of their bank visits and the route of travel and approach to the plant. It is important to maintain vigilance in stair and passage ways at the

plant. The value of guards lies more in forestalling than in fighting off an attack. The filling of pay envelopes is too frequently done in the general office where employees may enter and see.

There is a sharp contrast between the complete insurance against financial loss and the inadequate protection to human lives that is a tradition of pre-automobile days. By Edward M. Coffin. *Industry*, May 29, 1926, p. 2:2.

Training and Education: Schools, Publications, Bulletin Boards

Are Union Rules Responsible for Scarcity of Apprentices?

The scarcity of apprentices in the skilled trades is not due to union rules, according to various studies and reports. The trouble lies in the fact that employers generally are not willing to take on nearly as many apprentices as the union rules permit. There are four trades in which this difficulty is especially apparent: carpentry and joinery; painting and decorating; upholstery and cement masonry. *Monthly Labor Review*, May, 1926, p. 115:2.

Libraries, Apprenticeship, Employee

How important this movement is, is indicated by the fact that foremen's clubs of various kinds are springing up over night in hundreds of industrial communities.

It is very difficult to estimate just where this movement will lead to, but it bears very careful watching. So far it has led to constructive effort, and has been looked upon favorably by the higher executive officers as well as by the foremen themselves.

There are several types of foremen's clubs. These include—

1. The foremen's club consisting of foremen employed in a single plant or a single industrial organization.

2. The district foremen's club.

This article outlines what foremen's clubs can accomplish and how a foremen's club may be organized. By J. K. Novins. *The Dodge Idea*, May, 1926, p. 14:2.

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The Foremen's Club is a definite outgrowth of the need of executive training, and in turn it has fostered such training.

Benefit Systems and Incentives: Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership

Family-Allowance Systems in Foreign Countries

The survey shows that experiments in this system have been made in 25 countries and at present cover some millions of manual and non-manual workers. There is much confusion of thought as to the nature and character of family allowances and the varying plans for putting them into effect. There are evidences of a trend

away from concept of the family allowance as a supplementary wage and toward proposals for state family endowment, revealing a growing determination on the part of the workers to defend their rights through effective representation. The experience under family-allowance systems also adds weight to the demand of women for equal pay for equal work, and it has likewise resulted in a growing solicitude

It is realized that unrestricted adoption of piece wages has a bad effect upon the quality of the output and the health of the workers. The trade unions consider that there must be an improvement in manufacturing processes and a real increase in

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away from concept of the family allowance as a supplementary wage and toward proposals for state family endowment, revealing a growing determination on the part of the workers to defend their rights through effective representation. The experience under family-allowance systems also adds weight to the demand of women for equal pay for equal work, and it has likewise resulted in a growing solicitude

on the part of employers for child welfare. Bulletin No. 401. United States Bureau of Labor Statistics. Reviewed in *Monthly Labor Review*, May, 1926, p. 7:7.

Who Owns the Patent?

The taking out of patents upon inventions, made by employees in the course of their employment, has been the source of much litigation between the employees and their employers in respect to the title to such patents. However, it seems by the weight of authority, that the inventions of an employee belong to him, even though made while in another's employ, in the absence of an agreement to the contrary. The application of this rule of law is illustrated by a brief review of the case of Manton-Gaulin Manufacturing Company vs. Colony, 151 N.E. 71. By Leslie Childs. *Industrial Power*, June, 1926, p. 47:3.

Vacations With Pay for Wage Earners

This is a growing practice in the United States. Of 250 firms which have recently reported to the Bureau of Labor Statistics, more than one-third, with nearly 260,000 employees, have adopted the policy of an annual vacation with pay for their shop and factory workers as well as for office forces. This report is reviewed under length of service required, season of vacation, eligibility for vacations, rate of pay and cost of vacations, vacation information, results of giving paid vacations, other studies of vacation plans, vacations given as a result of collective agreements, and vacations with pay in foreign countries. *Monthly Labor Review*, May, 1926, p. 1:7.

State Insurance Fails

Sweden's State Organization for Labor Insurance has failed. Parliament has decided that the venture is too expensive, and the business will be liquidated. When compulsory insurance of employees was introduced twenty-two years ago, a special department, acting as a government insurance company, was formed. Much pressure was exercised upon employers in

favor of the national insurance body. But private companies persisted in competition and were able to undersell premiums to such an extent that the bulk of the business went to the private companies. *Industrial Relations: Bloomfield's Labor Digest*, June 12, 1926.

G-E Employees Securities Group

A statement of the securities owned by the General Electric Employees Securities Group as of December 1, 1925. The securities of 94 companies are owned by the Securities Group. *The Monogram*, May, 1926, p. 22:1.

Old Age Relief as a Problem of Industry

The pension problem has grown in importance because of the quickened social conscience of the community and partly because of the increased wealth which permits the relief of every variety of poverty on a more liberal scale than in the past. In addition, changed conditions in industry have made the need for old age relief in comparison with the needs for other kinds of financial assistance, steadily more urgent.

This is partly due to the increase in life expectancy while the period of productivity has not correspondingly lengthened. The period spent in education has lengthened, but an old worker, once out of employment, finds the jobs are scarce. The very pension systems that are designed to support old age, operate against the employment of men of advanced years, since employers who pay pensions naturally expect their workmen to render active service for at least reasonably long periods before reaching retirement age. In addition, there is the modern aversion to dependence on families.

Some advantages of pensions are:

1. A certain increased stability of morale and labor though it must be recognized that an employer does not have to pay pensions in order to secure and hold a labor force. The employer who has a pension plan has seemingly little or no ad-

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vantage over his competitors. Employers with pensions pay the current wage which usually means that the pension should not be regarded as a deferred wage. Pensions are costly and grow in volume, partly on account of increasing wage levels and partly due to the number of employees now coming into the pension age. In reducing labor turnover, the pension by its very success in attaining one of its objects, adds to its own expenses.

The fact that pensions may actually reduce the payroll is an important item on the credit side. They also tend to remove employees who may involve injury, accidents, and compensation payments, or damaged property or both.

The pros and cons of contributory versus non-contributory pensions are outlined at length as well as the methods of handling the pension fund. By Edward S. Cowdrick. *American Review*, May-June, 1926, p. 335:11.

Bethlehem Steel Company's New Relief Plan

Various plants of the Bethlehem Steel Corporation have had relief plans. Effective June 1, 1926, a plan is open to all Bethlehem employees in the United States and Canada. The corporation assumes the entire cost of organization and administra-

tions so that the contributions of employees will be available for distribution and benefit. The plan includes disability benefits for employees themselves and death benefits for widows and dependents. Employees, as of April 30, 1926, may have several important privileges and advantages provided they apply for participation on or before May 31, 1926. *Industrial Relations*, Bloomfield's *Labor Digest*, May 29, 1926, 3 pages.

Has an Employer Property Rights in Employee's Invention?

The active, widespread suggestion systems in vogue in various corporations give rise from time to time to questions of respective rights as between employer and employee in any novel improvement or invention on the part of the employee.

At times all such questions are settled beforehand by written agreements. More frequently they are left open and are usually settled on an amicable basis.

Apart from express contract or agreement, the mere relations of employer and employee do not vest the employer with the property rights in inventions and patents of the employee or with anything other than a shop right to use the same. The owner is not the employer. *Industrial Relations*. Bloomfield's *Labor Digest*, May 29, 1926, 2 pages.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

The National Strike in Great Britain
Personally, I have never agreed that the sympathetic strike on a large scale was an industrial weapon that should be tried, and our experience of it during the past week has proved the truth of the reasons for my opposition to it. Whatever the intentions of those who promote it may be, it will appear to the mass of the people as a blow to constitutional procedure; the inconvenience it imposes upon all and sundry must irritate the public into opposition before it has gone on for any length of time;

its first effectiveness will be shown in the punishment it inflicts upon the poorer and the more helpless classes; its issues and consequences obscure the original cause of dispute and raise new ones which cannot be foreseen; being a strike in sympathy the whole mass called out has not the definite object that the section originally attacked has, so that its weakness in parts soon appears; it can succeed only if it is swiftly finished; every extension weakens it; having no definite object it can have no victory, and in so far as it is regarded

by a government as a challenge to it, its failure is foredoomed; every union that comes out raises thereby a dispute internal to itself, e. g., if railwaymen come out to help the miners they thereby raise a dispute with their own employers. In short, a general strike when fully developed can only be part of a policy of armed force such as Mr. Winston Churchill and other Tory leaders hoped to profit by this week and last. But this one that has now ended was kept in splendid control by the trade union leaders, was not allowed to get out of hand; and the Government's strenuous attempts to get it to become revolutionary and to develop were thwarted by the splendid tactics and the bold courage of those who were acting and advising at headquarters. As the country comes to know the facts, the culpability of the Government will become apparent and I believe a strong reaction will set in in favor of labor, especially political labor. By J. Ramsay MacDonald. *The Nation*, June 9, 1926, p. 628:2.

An Interview With Morris E. Leeds

Stabilized employment and protection against unemployment are cardinal points in the management program of Leeds and Northrup, where all the voting stock of the company is owned by executives and actual workers in the business. They have a basic forty-four-hour week. If business is brisk and it is necessary to get out orders, it is left to the employees to decide whether they shall add new people or increase the working day up to a maximum week of fifty-two hours. The employees decide whether the hours are to be added on to each day, including Saturday, or added to the first five days only. Time and a half is paid for all time over the basic forty-four hours.

Various employee activities of a recreational and educational sort are managed by an Employees' Cooperative Association, and it is through this association that the

management deals collectively with the employees. *Executives Service Bulletin*, May, 1926.

Indian Workers Win Fundamental Rights

After an organized effort extending over a number of years the trade unions of India have won a number of important rights by the enactment of the law on the registration of trade unions. As enacted the unions may establish separate funds for the promotion of political objects, including salaries of labor representatives elected to legislative bodies. *American Federation of Labor Weekly News Service*, June 12, 1926.

American Courts Not Opposed to Labor Unions

Despite irresponsible criticism of the attitude of American courts toward the organization of labor, the facts are that trade unions have in this country enjoyed a lawful standing.

Unions have never been regarded as unlawful in their purposes to organize for industrial betterment.

Such cases as arose in the early days of their existence dealt with the methods pursued, and not with the purposes avowed.

The suit for damages, rather than legal interference with trade union organization, is the key to present-day activity in labor dispute litigation.

Trade unions in the United States, however, do not seek exemption from penalties for breaches of agreement. The trend is toward making and enforcing collective agreements. That is the keynote in American labor policy. *Industrial Relations, Bloomfield's Labor Digest*, June 5, 1926, 2 pages.

United States Coal Outlook Doubtful

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be confronted with one of the worst strikes in a key industry which this country has ever known. *Babson's Reports, Business Supplement, Confidential Bulletin No. L-265.* 1 page.

Shopmen of B. & O. Survey the 3-Year-Old Co-Op Policy

Employment has been stabilized. The net gain per employee for the year 1925 amounted to 12 additional days' work, or \$44 per year. This gain was made possible through the joint efforts of the men and the management in arranging a more even distribution of maintenance of equipment work throughout the year.

The number of grievances was reduced last year to one appeal case for every 140 employees, whereas the ratio under the old system was about one grievance for every 40 employees, an improvement of about 300 per cent.

In 1925 about 15,000 suggestions were submitted and about 13,000 were accepted and placed in actual operation. Of 1,000 suggestions studied 35 per cent primarily benefited the men, 50 per cent were of mutual benefit to the man and the management and the remaining 15 per cent largely in the interest of the company. *Industrial Relations: Bloomfield's Labor Digest*, May 22, 1926. 1 page.

Organized Labor and Prohibition

What employers and employees alike can testify to is that industrial efficiency has increased, production speeded up, higher wage levels have been achieved, and steadier employment conditions made possible by prohibition. *Babson's Reports, Business Supplement, Confidential Bulletin No. L-265.* 1 page.

A Vital Decision

On May 11, the day before the General Trades Union Council surrendered unconditionally to the Baldwin Government, the Chancery division of the high court of justice of Great Britain made a decision which laid the treasuries of every union

which had struck in sympathy with the coal miners open to action for damages.

The decision holds that the immunity supposed to have been provided for under the Trades Disputes Act applies only to strikes caused by trade disputes. It infers that collective bargains were binding on both parties and unions which entered upon sympathetic strikes did so at their own risk. *Barron's*, May 21, 1926, p. 13.

The British General Strike

At one o'clock on the morning of May 3 the Baldwin Cabinet broke off negotiations—at a most promising stage—with the Trade Union Council. The occasion was a trumpery and entirely unofficial incident in the office of the *Daily Mail* which the council was given neither opportunity to repudiate nor time to investigate. As an example of working-class solidarity there has been in Europe no finer demonstration in English Trade Union history. It was an orderly strike. It was a complete strike.

Mr. Laski concludes:

1. That the whole burden for the occurrence of the stoppage rests absolutely on the shoulders of the Government
2. That at no moment in the strike were the unions fighting on a political issue
3. It is improbable that, except financially, the strike will seriously affect the power of trade unionism
4. On the other hand, it is pretty clear that a general strike for industrial purposes will not be called again in Mr. Laski's lifetime, for in the first place, it cannot continue on its massive scale without becoming revolutionary
5. It is a difficult question whether the unions were wise in calling out the printers
6. The strike was a failure in so far as the miners were not victorious as a result of the aid given to them, but it was a success as a demonstration of the loyalty inspired in the workers by their unions and as a proof brought home to the country of the depth of working-class antagonism to the mine owners

7. Whether the Council should have called off the strike when the miners did not agree to the Samuel memorandum is a difficult question

8. The political struggle of the next two years will turn upon the issue of the strike. By Harold J. Laski. *The Nation*, June 16, 1926, p. 663:3.

Shop Organization: Planning, Methods, Job Analysis, Standardization, Waste

Goodyear's Production Control

In the Goodyear organization, 200 dispatchers, working in three shifts, maintain the production flow. These men handle material in process, directing its movement from its raw to its finished state, allowing the foremen time to give their full attention to the personnel. The plan calls for not merely clerical and mathematical ability, but for the exercise of judgment and initiative as well. The system was developed when other systems proved unequal to the demands of the plant. By Hugh Allen. *Management*, June, 1926, p. 50:4.

Simple Plan of Simplification

The Atlantic Refining Company, manufacturing 521 brands of candles, has evolved a plan for simplifying production without disrupting the business. The plan involved—

1. Creation of a clear record
2. An analysis of the line
3. Reduction of the number of products month by month, no matter how few were eliminated.

A yearly summary form showing estimated sales, deliveries and inventory for each brand and size for each month, and running over a period of years gives the basic picture for determining the eliminations. Brands were classified as—

- a. Active brands, 37 per cent
- b. Inactive but necessary brands, 48 per cent
- c. Brands to be discontinued, 15 per cent

The plan possessed the following definite advantages—

1. It created a program for simplification of products
2. It presented the facts, not opinions
3. It led to action and not discussion
4. It provided a record of results
5. It sells the "simplification idea."

By L. A. Sylvester. *Management*, May, 1926, p. 48:4.

Profits from Motor Trucks

The results of an investigation of examples of profitable truck operation, the performance and cost records being figured on the International Standard Truck Cost System. *Management*, May, 1926, p. 80:2.

SALES MANAGEMENT

Study Particular Market Needs

It is one of the phenomena of modern business that so few manufacturers really know what their customers need or want. Several interesting cases are given.

Knowledge of how salesmen are working territories is one of the most important duties of a sales executive; yet few sales managers can tell whether their salesmen called last week or last year in a certain

town. If they do want this information, it means a lot of digging through old reports and records. Yet hundreds of sales managers sit idly by and permit distribution to lag in certain territories simply because their salesmen find it inconvenient to visit certain towns regularly. The right sort of salesmen's records show instantly when this condition arises, so that it may be corrected before it develops to serious proportions.

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Many manufacturers would do well to go occasionally out into the districts where their goods are being sold—where actual conditions may be studied and observed, as a supplement to the reports they receive. Most manufacturers know too much about the manufacture of their products and too little about how, and by whom, and under what conditions, they are used. By Eugene Whitmore. *Kardex Institute Management Bulletin*, June 16, 1926. 4 pages.

The Value of Research in Sales Management

One of the first problems of the sales manager is to differentiate between statistical research, field research, and management research, and this is the cause of a misunderstanding on the part of such executives as to the real possibilities of organized analysis and investigation of distribution problems and practices and of market opportunities. Intelligent and detailed study of the figures as to the results in various departments of a business very often leads to revolutionary changes in selling policies. Such studies have been made by the American Radiator Company and the National Aniline & Chemical Company, the policies of which are described. By Henry B. Northrup. *Printers' Ink Monthly*, June, 1926, p. 41:3.

Scrutinizing the Value of Sales Quota Bases

The principal fault with automobile registrations as a general market measure is that they discount the large cities in favor of small towns and the country, where cars are more plentiful, and it is also worth noting that with the prevalence of instalment buying, the ownership of a car does not indicate the buying power it once did.

The number of telephones in homes is one of the most reliable of measures for the predication of markets. Its principal advantage is that it represents a current market, but even the telephone has its drawbacks as a basis of quota computa-

tion, as it cannot be used in all businesses. It is important that distributors recognize the shortcomings of the market measures which they are using. *Kardex Institute Bulletin*, April 22, 1926. 4 pages.

How the Waterman Copy-Cat Took a High Dive into Bankruptcy

An account of what happened in the case of A. A. Waterman, who started a fountain pen business in competition with the well-known manufacturer of the same name. A long series of legal actions culminating in bankruptcy left nothing whatever to show for the thirty years of effort. The use of a competitor's name in this case was a handicap rather than a help. It meant competition with the L. E. Waterman Company, and the goods were barred from the most desirable retail stores. By C. L. Ostrom. *Sales Management*, May 29, 1926, p. 864:3.

Marketing Organization

Progressive companies are dividing marketing into its component parts for greater effectiveness in keeping pace with intensive selling conditions: market analysis, market planning and marketing training as working departments, in addition to the sales department, the advertising department, and the service department. A body of suggestions is given for the organization of marketing divisions, on the basis of the experience of companies which have functionalized their marketing. By Percival White. *Kardex Institute Bulletin*, June 4, 1926. 4 pages.

Selling Good Credit

Collection is nothing else but salesmanship. A collection man sells honesty. Threats and force are usually used from the very beginning where sympathy, salesmanship, and the "re-selling" of the purchase might have been used to remove the overdue item from the books without the loss of good will.

Every piece of material sent out should be designed to create the impression that

the bill will be collected when it is due; that there is no doubt in the creditor's mind about the debtor's ability to discharge the obligation.

Before the bill should be paid is the time to put into execution the collection advertising campaign. Let a bill ride along until it matures and beyond, and the debtor may have made no preparation to meet the obligation. Convert him to the collection idea in advance, and after the maturity time, or when the bill is due, he is exceptional if he is not imbued with the expectation of paying; and the problem is so much the easier. By Bryant W. Griffen. *Kardex Institute Management Bulletin*, April 8, 1926. 4 pages.

When Is the Best Time to Launch a New Product?

Should a new product be introduced when business is good, or is it more advantageous to launch it to stimulate busi-

ness when orders are not so plentiful? Sometimes a new product, or an old product in new form, or a new package, is all that is needed to stimulate sales. At other times a new product will hinder, rather than stimulate sales. The opinions of ten sales managers are given. *Sales Management*, June 12, 1926, p. 895:3.

How We Spotted the Blanks in Our National Distribution

A Chicago manufacturer tells how a quota system was developed as a basis for a sales plan when it was found that one of the company's best distributors had been drawing 100 per cent. of his quota out of but a tenth of his entire territory, leaving the remaining counties practically unworked. How the results of the quota plan were reduced to graphic summaries of the year's sales achievements to uncover new and valuable facts about the company's distribution are described. *Sales Management*, June 12, 1926, p. 9:44.

Sales Promotion: Letters, House Organs, Advertising

Five Things I Have Learned About Making Letters Pull

It does not pay to make processed letters look like individual letters. A test on two mailings of letters, one a filled-in form letter and the other a regular circular, showed returns from the circular almost 10 per cent better than that from the filled-in letter. Both letters carried two cent postage and were sent to the same kind of lists. The cost of the mailing on the circular was seventy dollars less than that on the filled-in letter. The use of the automatic typewritten letter is also discussed. By Cameron McPherson. *Sales Management*, May 29, 1926, p. 829:2.

When Are Goods Legally Sold?

The advantages of bills of lading as a medium for transacting business are apparent; but as with other departures from orthodox legality, the law is slow to

countenance such transactions. In many states anyone who takes a negotiable bill of lading as a purchase or as collateral security does so at his own risk of the title and of the rights that others may have in the goods which the bill of lading represents.

But it is gratifying to note that in several states law is following the progressive lead of modern business; that they have passed a "Uniform Sales Act" putting bills of lading on practically the same basis as negotiable paper.

Apparently the law on the title to goods is very simple, for it says in part: "the legal title passes from seller to buyer according to the intentions of the parties."

For this reason, businesses can save themselves risk and loss by having their printed purchase and sales slips and memoranda drawn up with care.

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bodied in letters would not feel sensitive about the very same terms and conditions printed on a slip sent with letters, which they could hardly consider personal. Provisions stated in letters give the recipients the idea that the precautionary terms are personal, directed to them alone. If the terms are printed, they are understood as a general business custom. By Garland R. Farmer. *Kardex Institute General Business Advice*, May 27, 1926, 5 pages.

Cutting Sales Costs 66½ Per Cent

A small manufacturer of an electrical appliance decided recently, as a definite policy procedure, that the middleman

should be eliminated and that the sales should go direct to dealers instead of through the jobber. This enabled the company to increase slightly the discounts to dealers. In this way the manufacturer increased his profits and also increased the profits of his dealer. The effect seemed to be electrical. The next step was to supplement the efforts of the salesmen by monthly letters to all dealers, and in issuing a monthly letter to a large list that had never been called upon by representatives of the company or its jobbers. The sales cost is about one-third of the previous amount per unit. By W. G. Sheehan. *Management*, June, 1926, p. 30:2.

Benefit Systems and Incentives: Bonus Plans, Vacations

Prizes for Skill in Salesmanship

R. H. Macy & Co. have developed a new method of stimulating employees' interest and improving service. It is called the "ace" system. By it is first chosen the best sales person in each department of the store. These are known as department "aces." They compete by floors for what might be called the "aceship" of each floor. Finally, from the floor "aces" are selected the one of store "ace" or premier sales person of the entire establishment. Under the system in question the department "aces" on each floor are elected by the vote of all departments employing active sales persons to make an election practicable. The plan of rating is described in detail. *New York Times*, June 13.

Fanny Farmer Candy Shops Give Stock to Employees

Four hundred employees have received an outright gift of stock in the company amounting to 10 per cent of the outstanding preference stock and a substantial block of common stock. Distribution of the stock will be made on the basis of length of service and amount of salary. Frank J. O'Connor, president of the chain, believes that the success of these shops is largely due to the loyalty and co-operation of the employees, and that therefore they are entitled to share in the profits of the business. The former profit sharing plan was the payment of an annual bonus based on individual wages. *The New York Times*, June 8, 1926.

Salesmen: Selection, Training, Compensation

How Can We Get Branch Managers to Train Their Salesmen?

If training, to be effective, must be done on the job, it follows that it must be done by the man who is in direct charge of the salesmen who is usually the branch manager. It is indicated that one of the principal reasons why managers do not do a better job of training is that they do

not know how to go about it. They seldom judge a salesman's work in terms of the relative efficiency with which he performs the various functions which go to make up the job.

The general sales department can do a great deal to promote interest in training by providing simple rating forms for the use of the manager in analyzing and judg-

ing the ability and performance of each salesman. Excerpts from the more useful sort of rating scales are shown. Though rating plans have been used mostly for compensation and promotion purposes, experience is proving that their efficacy in promoting better training is one of their most important uses. By H. G. Kenagy. *Printers' Ink Monthly*, June, 1926, p. 43:4.

Relation of Engineering to the Sales Organizations

The chief of the Engineering Bureau of the National Crushed Stone Association says that engineering can help sales in these ways: 1. By supplying facts in the form of technical articles and standards leading to the proper and more successful use of crushed stone. 2. By suggesting improvements in road designs looking toward greater resistance to traffic and therefore greater popularity of the improved type. 3. By discovering uses for waste products, thereby creating larger markets. 4. By supplying facts on the advantages of crushed stone as these facts become definitely established. 5. By simplifying commercial sizes, thus leading to economies and better understanding between producer and consumer. By A. T. Goldbeck. *Cement, Mill & Quarry*, June 5, 1926, p. 28:2.

Latest Salesmen's Check-up and Personal Control Methods

Salesmen's reports are now used as the basis for figuring cost per call, cost per sale, and sales expense per territory or account; for analyzing reasons why sales are lost; for planning effective follow-up work between the salesmen's calls; and for showing personal weaknesses which the sales manager can help the salesman to overcome; and other matters. In an investigation several hundred report forms were examined, and the results are given in this report. Some of the most representative forms are reproduced in a supple-

ment. *Report No. 226. Dartnell Corporation*. 23 pages.

How to Develop an Interchangeable Salesforce

This article describes a most interesting experiment in store management which attracts superior workers and improves service. The plan provides for a "fluid" staff which can be transferred from the less active to busier departments. The plan has improved sales and service and has reduced the direct pay-roll expenses of the so-called rank and file about 15 per cent which has been largely reinvested in deserved salary promotions and better personnel. Address by F. R. Lamb, *The Bulletin of the National Retail Dry Goods Association*, p. 24:2.

Old-Fashioned Hand Shakes Versus Scientific Sales Manuals

A story which indicates that "scientific" selling is only about 30 per cent efficient without a little honest friendliness. There is a place for all the scientific preparation and research work that can be put into selling. The modern merchants do not have too much time for handshaking and "humanness," it is true. They want facts first, then friendliness, but there is no excuse for making the mistake of thinking that human interest has ceased to be a big factor with the rank and file of buyers. By Will G. Caldwell. *Sales Management*, June 12, 1926, p. 936:3.

How Advertising Paved the Way for a Radical Innovation

The goodwill which the Morton Salt Company has built up over a twelve-year period won immediate acceptance for their iodized salt package. Distribution problems, handling dealer helps, the guarantee and getting the salesmen to co-operate in the advertising plans are other phases of advertising and selling that are discussed. By C. L. Ostrom. *Sales Management*, May 29, 1926, p. 864:3.

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The Biggest Thing in Selling

The president of the John Warren Watson Company believes that the biggest thing in selling is the attitude of helping someone and that this attitude will help to overcome many of the hazards faced by salesmen in selling. He believes that such an attitude prevents the salesman from being afraid of the prospect inasmuch as

the feeling that the seller is going to be of help to the buyer takes the place of the feeling that the salesman is going to make him buy something. The part advertising has played in building up sales for this company, the distribution plan for the product and problems in selling are also discussed. By John Warren Watson. *Sales Management*, May 29, 1926, p. 825:3.

Survey of Books for Executives

Elements of Business Finance. By J. H. Bonneville. Prentice-Hall, Inc., New York, 1925. 412 pages. \$5.00.

Just as Professor Ripley showed recently by his stand on non-voting stocks that the college professor is not necessarily a mere theorist, so Professor Bonneville deserves commendation for his practical exposition of business finance. As the author he makes no extravagant claims for his work but explains that it was his desire "to produce a text suitable for college and university classes in Business Finance" covering a first year's study of the subject. While not intended for the business man or self-educator the simple and concise presentation of material will appeal to those who seek an elementary discussion of business finance.

Judged as a class room text, and only so should it be judged, it is excellent. These are some of its merits. It is clear. The illustrative material is given not in the form of hypothetical instances, but, for the most part, in the form of actual cases. The "Questions for Study and Review," "Questions for Student Research," and the "Problems," given at the end of each chapter, are valuable additions for both the student and the instructor.

In starting Professor Bonneville calls attention to the interrelation of his subject with economics, accounting, and business law, but touches upon these phases only where it is necessary for an understanding of his point.

Step by step the various operations that make up the organization, management and financing of business enterprise are discussed. Each type of organization, from the individual proprietorship to the most complicated forms of intercorporate relations, is outlined, its advantages and disadvantages enumerated. To the corporation, since it attracts the greatest percentage of capital, more detailed attention is given.

The discussion of credit policies is adequate for a book of this type. The customary casual treatment given to this subject by text book authors gives place in this outline to a simple exposition which, however, never allows the fundamental importance of the topic to be lost.

Following the discussion of credit policies is a chapter on "Business Finance and the Banks" which bears witness to Professor Bonneville's confidence in the perspicacity of bankers. A thorough understanding of the complete operation of banks and the banking system has been crowded out of the business man's ken by the necessity of coping with other details. The necessity for such knowledge has been filled by the banks making detailed studies and standing ready to advise business men intelligently. "Every business man gets some accommodation and assistance from the banks, but a great many get a very small part of what they should get, because they do not know how much they may legitimately ask for and what the banks are able and willing to give."

The last two chapters deal with those less pleasant phases of business finance—illegal combinations, business failures, receiverships, and reorganizations. It is interesting to note that the lack of knowledge on the part of the business man, which was referred to in the chapter dealing with the banks' relation to business, is given as the real cause of failures, except in cases of absolute fraud. Bradstreet's schedule of causes for failure is shown to amount to incompetence in one line or another and when statistics are quoted claiming the ultimate failure of 60 per cent of manufacturing concerns in the country the moral may be drawn that business acumen should be more diligently analyzed and developed.

*ARTHUR LAZARUS, Managing Director,
U. P. C. Bureau of Business Economics.*

Industrial Pensions in the United States.

National Industrial Conference Board, New York, 1925. 157 pages. \$2.00.

The National Industrial Conference Board has added to its list of valuable industrial researches a study on pensions. It ought to be a delight to the scholar because of its clear and logical outline and wealth of first-hand information. The business man will also be enthusiastic for he will find there the practical experience of two hundred and forty-eight plans. As a book it is comparatively brief, being only 157 pages. The only appendix lists the names of the companies that have pensions, stating the number of male and female employees, date of company and pension plan organization, type of plan, and contributions if any.

A word about the arrangement of the material. The book opens with an introduction to the subject, defining and limiting its scope to industrial or rather company pensions only, and excluding those of fraternal organizations, trade unions and the like. A summary of the study makes up the first chapter and forms a valuable guide for the details that follow. Part II gives excellent advice and suggestions on the organization and financing of a pension

plan. This has the effect of once more reviewing the material for the reader and giving him, as it were, a lever from which to start swinging his contemplated scheme.

Some interesting conclusions also came to light. For instance, death, sickness and accident benefits are sometimes included in pension plans, but these bring complications and load on additional expenses. Employers are consequently advised to provide these benefits through some association, or better still, by means of Group Insurance.

It is generally known that as the pension plan grows older, the cost rises considerably. State old age pension systems are experiencing the same tendency. To prepare for this, the establishing of a fund on an actuarial basis is advised. This makes the thing business-like and helps to spread the expenditures over a longer period of time. In fact, it is advised that reserves be built up by means of regular payments into a trust fund or that annuities be purchased from an insurance company.

Plans are informal, formal, and discretionary, or of a limited contractual type. A recent tendency toward less arbitrariness is being experienced, together with employees' participation in financing. This latter is to be welcomed as allowing for better individual thrift. A dole from an employer is not much better from this point of view than a dole from the state, except the very vague probability of increasing loyalty to the employer which many deny as an accomplished fact. If the employee contributes he is providing for his own old age. What the employer adds may frankly be a deferred wage, but it helps to increase the amount of the pension.

Results, however, are not very definite. Some employers are quite enthusiastic, claiming loyalty, lower turnover and better work. Others are disappointed, claiming that long service is not induced. A third group frankly looks upon pensions as an experiment. The employees themselves are frequently not enthusiastic. Trade unions are very suspicious and young men are not sufficiently concerned about the future.

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These reactions, together with the fact that costs inevitably rise, should make men less hasty in installing pension plans.

Nothing in this study shows definitely the actual effect of pensions on turnover and thrift. Employers contemplating a new pension plan or the revision of an old one will search in vain for answers to these and similar problems. In fact, many welfare plans, to say nothing of pensions, still remain in the realm of hazy opinion.

Neither the authors of this book on pensions nor the employers whose plans they investigated should be blamed for lack of information on this point. The main difficulty lies in the fact that until now, welfare, like advertising, has eluded mathematical measurements. Perhaps it will always be so. Still, in view of the fact that a great deal of money is annually spent on pensions, it may prove valuable to investigate the effect of the plans on turnover, thrift and similar objectives. Anyone attempting such an analysis in the future will find the study on pensions by the National Industrial Conference Board an excellent starting point for further research.

WILLIAM B. BAILEY, *Economist,*
The Travelers Insurance Co.

Employee Magazines in the United States. National Industrial Conference Board, Inc., N. Y., 1925. 86 pages. \$1.50. "Employee magazine" is the term used for the type of house organ which is concerned only with employee matters. Such periodicals are an outgrowth of the realization of the importance of the human element in industry, and promote loyalty and co-operation. Economically they have proved more effective means than notices and bulletin board posters in reaching large bodies of employees.

Although statistics show a large mortality during 1920-21 in magazines started during the war years, since 1921 the idea has again gained ground. The Conference Board, therefore, examined the function and the elements of a successful publication; and the book at present under review

is its interesting and valuable report of this study as conducted by Miss Eleanor Davis of its research staff.

Successful use of employee magazines demands a definitely formulated plan, a purpose to be attained, unqualified support by executive forces, and last, but not least, a real editor. It is the editor who must have the human understanding and sympathy which warrants the support of his superiors and the confidence of the remaining employees. In addition to these personal characteristics certain technical qualifications are important. Given a definite agreement as to the function of the employee magazine—and to this subject the report devotes a chapter—the editor becomes responsible for the success of the publication and will find some assistance in the chapters on "Experience with employee magazines," and "Suggestions for increasing effectiveness."

The report reaches its high point in the concluding page of maxims and closes with the advice: "No employee magazine should be started with the expectation that its value is capable of precise measurement. The justification for the magazine must, to a large degree, rest on the conviction that willing loyalty and co-operation are assets worth cultivating."

So much for the appreciation of a well done piece of work. But how much more might have been done to advantage! A small book, 60 text pages, formed in large part by anonymous quotations, it too frequently lacks authority or definiteness. Consider the page on "cost of publication," where the reader is told "according to figures from nearly one hundred replies the cost per year is \$1.87 per employee. Other compilations show average costs around \$1.00 per employee per year." Indefinite and correspondingly valueless! Average costs without relation to size, class of publication, type of audience, amount of circulation, and extent of illustration are meaningless if not misleading.

Fortunately, again the report reaches another height in recommending that editors attend and participate in confer-

ences of their fellows and in listing various conference groups which deal with questions of employee magazines. From such conferences apparently must come the exact information of the future.

JOHN MILLS,
Director of Publication.
Bell Telephone Laboratories, Inc.

Principles of Personal Selling. By

Harry R. Tosdal, Ph.D. A. W. Shaw,
Chicago, 1925. 727 pages. \$6.00.

In this exposition and critical appraisal of the best that has been done and written in the field of sales management, Professor Tosdal has lived up to his reputation as a thoughtful and thorough student and has contributed a volume which will serve excellently as a text book for our schools of business administration. If the formidable size of the book does not keep sales executives from examining it, its table of contents and valuable index will direct them to many chapters and pages which contain helpful information as well as a distinctly progressive point of view.

The author's attempt "to reconcile sound economies with practical business procedure" and "to develop a somewhat broader background for an understanding of the problems of personal selling and their solution" (p. iii) is an effort which is, unfortunately, of greater interest to the student than to the typical sales manager, yet the economist's approach to selling problems differs so refreshingly from the usual efforts along this line, written by professed psychologists or by those who scout psychology and deal in "just human nature," that it is to be hoped the book finds a wide market in the business field. The reconciliation takes the form of an explanation and defense of salesmanship as a productive economic enterprise, but it is clearly pointed out that some types of salesmanship are predatory and therefore not productive. No "system" of salesmanship is advanced or accepted. The author concerns himself with principles, generally, though methods used in various types of sales work are described.

Perhaps the title of the book is misleading. From his wide study and personal investigations, Professor Tosdal has brought together a wide range of subjects, some of them only second or third cousins to "personal selling," and related only by being in the general field of sales management. In addition to the subjects which naturally fall under the title, chapters are included on "The Sales Organization," "Sales Policies of the House," "Sales Methods," "Advertising," "Selection of Salesmen," "Compensation of Salesmen," "Credits and Collections." True, all these subjects have some relation to personal selling, but the author seems to use that slender tie as an excuse for extended discussions of matters not strictly related to selling. The chapter on "Advertising," for example, while a good survey of the function of advertising as an aid to personal selling, discusses such problems as advertising campaigns, mediums, etc. Other chapters go even farther afield. Our quarrel with the author is not that such material is not valuable, but rather that its inclusion makes the book too long and takes up space that could better be used to expand and illustrate the chapters which deal directly with selling problems. In the strictly "personal selling" chapters, the author's emphasis upon the "seller-customer relationship," as opposed to the usual specialty selling point of view, and his specialized consideration of the various types of selling (Chs. X-XIII, inclusive), deserve special commendation. Thanks to the author, we look forward with more hope to the day when methods of selling will be based upon a thorough analysis of the particular part of the sales field to which they are to be applied.

The usefulness of the volume as a text book is greatly enhanced by a classified bibliography, and a number of appendices carrying illustrative material secured from actual sales organizations.

H. G. KENAGY,
Director of Training,
Armour and Company.

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